

Message Text

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PAGE 01 COPENH 02695 01 OF 02 170947Z

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TAGS: EAGR, ETRD, EEC, DA
SUBJECT: AMBASSADOR'S FARM TOUR

PASS AGRICULTURE

1. SUMMARY: ACCOMPANIED BY OFFICIALS OF THE DANISH
AGRICULTURAL COUNCIL, MY AGRICULTURAL ATTACHE AND I TOURED
MAJOR AGRICULTURAL AREAS OF DENMARK AUGUST 12 AND 13. IN
ADDITION TO OBSERVING THE HARVEST NOW FULLY UNDERWAY, OUR
PROGRAM INCLUDED VISITS TO A DAIRY FARM, A DAIRY PLANT
PRODUCING CHEESE FOR EXPORT, A MAJOR CANNED HAM PRODUCER
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PAGE 02 COPENH 02695 01 OF 02 170947Z

AND EXPORTER, THE DAIRY INDUSTRY HEADQUARTERS AND A LARGE

SOYBEAN CRUSHING PLANT. DISCUSSIONS INCLUDED THE EFFECTS OF THE DROUGHT, US/EC RELATIONS AND EC PROPOSALS IN THE DAIRY SECTOR, THE PAST CHEESE AND CANNED HAM EXPORT SUBSIDY PROBLEMS AND THE OUTLOOK FOR THESE PRODUCTS, PROSPECTIVE US SOYBEAN MARKETINGS IN DENMARK, AND THE DANISH FARM POSITION IN THE MTN. I GAVE TALKS IN DANISH SETTING FORTH US VIEWS ON THE FOREGOING AT FUNCTIONS SPONSORED BY THE HOST ORGANIZATIONS, EMPHASIZING IN PARTICULAR OUR SERIOUS CONCERN THAT EC MEASURES TO DEAL WITH ITS FARM PROBLEMS WERE DAMAGING OUR EXPORT INTERESTS, ESPECIALLY SOYBEANS AT THE PRESENT TIME. OUR PRINCIPAL OBSERVATIONS WERE THAT THE CONTINUED DROUGHT MAY HAVE LOWERED GRAIN PRODUCTION TO LAST YEAR'S REDUCED LEVEL; THE DANES ARE GENERALLY SATISFIED WITH CURRENT AND PROSPECTIVE CHEESE EXPORTS TO THE US BUT THEY ARE WORRIED ABOUT FUTURE CANNED HAM SALES AND WHAT THEY CONSIDER UNFAIR COMPETITION FROM EASTERN EUROPE IN THIS SECTOR; THEY SEEM CONVINCED THAT THE EC VEGETABLE OIL TAX PROPOSAL HAS BEEN KILLED BY THE DROUGHT AND THE STRONG US PROTESTS; THE MARKET FOR SOYBEANS AND SOYMEAL WILL INCREASE SUBSTANTIALLY THIS YEAR AND US SHARE IS ALSO EXPECTED TO BE HIGHER. THE PRESS COVERED MY TOUR AT EVERY STOP. END SUMMARY.

2. MY TWO-DAY FARM TOUR WAS HOSTED BY THE HIGHLY INFLUENTIAL DANISH AGRICULTURAL COUNCIL AND INVOLVED TRAVEL THROUGH THE ISLAND OF FYN AND THE MAINLAND OF JUTLAND ON AUGUST 12 AND 13. MY OBJECTIVE WAS TO BECOME FURTHER ACQUAINTED WITH DANISH AGRICULTURAL PRODUCTION, WHICH IS A HIGHLY IMPORTANT ELEMENT OF DENMARK'S ECONOMY AND US/DANISH TRADE, AND TO DISCUSS CURRENT AGRICULTURAL ISSUES. WITH TWO-THIRDS OF FARM PRODUCTION SOLD ABROAD, AGRICULTURAL EXPORTS ACCOUNT FOR OVER 30 PERCENT OF DENMARK'S FOREIGN EXCHANGE EARNINGS AND ALMOST 40 PERCENT OF US/DANISH TRADE IS IN AGRICULTURAL PRODUCTS. TWO TOP INTERNATIONAL FARM POLICY OFFICIALS OF THE COUNCIL SERVED AS GUIDES ON THE TRIP. MR. H.O.A. KJELDSSEN, PRESIDENT OF THE DANISH FARMERS UNIONS AND MEMBERS OF THE COPA PRESIDUM, HOSTED A DINNER FOR US AND A GROUP OF DAIRY, PORK AND SOYBEN INDUSTRY OFFICIALS, WHICH ENABLED AN INFORMAL BUT THOROUGH DISCUSSION OF US, DANISH AND SC AGRICULTURAL POLICIES.

3. THE GRAIN HARVEST WAS FULLY UNDERWAY AND, WHILE THE LIMITED OFFICIAL USE

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PAGE 03 COPENH 02695 01 OF 02 170947Z

STANDS APPEARED NORMALLY HEAVY, FARMERS WERE DISAPPOINTED IN THE EARLY YIELD INDICATIONS. AFTER AN IDEAL SPRING, TY PROLONGED DROUGHT IN JUNE AND JULY PREVENTED THE HEADS FROM FILLING NORMALLY, RESULTING IN UNUSUALLY LIGHT GRAIN IN MANY AREAS. OBSERVERS WERE LOWERING THEIR EARLIER ESTIMATES OF DENMARK'S TOTAL GRAIN PRODUCTION FROM 6.8 TO 7 MILLION TONS TO 6 TO 6.5 MILLION TONS. LAST YEAR'S PRODUCTION, ALSO AFFECTED BY DROUGHT, WAS 6.3 MILLION TONS. THE HOT DRY WEATHER WILL

PERMIT THE GRAIN HARVEST TO BE COMPLETED WITHIN ANOTHER WEEK BUT THE FINAL PRODUCTION ESTIMATE IS STILL SEVERAL WEEKS AWAY. RAIN IS NOW BADLY NEEDED FOR THE BEET CROPS AND RECOVERY OF THE PASTURES.

4. THE FIRST PLANT STP WAS AT A CHEESE-PRODUCING DAIRY IN SOUTHERN FYN, OWNED BY A LARGE DAIRY COOPERATIVE PROCESSING ABOUT 200 MILLION KILOGRAMS OF MILK ANNUALLY INTO CONSUMER MILK PRODUCTS, BQTER, CHEESE AND MILK POWDER AT 14 PLANTS SCATTERED OVER THE ISLAND. THE PLANT VISITED CONCENTRATES ON TWO CHEESE VARIETIES, SVENBO AND FETA, WHILE THE COOPERATIVE'S OTHER PLANTS PRODUCE DANABLU, EMMENTHALER AND CHEDDAR. THE SVENBO IS EXPORTED TO US AND THE FETA MAINLY TO IRAN. BOTH PRODUCTS HAVE BEEN DEVELOPED IN THE PAST YEAR TO REPLACE REDUCED MARKETINGS OF BLOCK CHEESE TO THE US. THE PLANT'S MODERN EQUIPMENT AND HIGH HYGIENIC STANDARD WERE IMPRESSIVE. DURING THE TOUR OF THE PLANT, ITS OFFICIALS STATED THAT THEY WERE CURRENTLY PLEASED WITH THEIR SALES TO THE US. THEY EXPECT THE US TO REMAIN A GOOD MARKET FOR DANISH TABLE CHEESES, WHICH HAVE SHOWN AN UPTURN THIS YEAR. THEY DID NOT BELIEVE, HOWEVER, THAT DANISH INDUSTRIAL CHEESE HAD MUCH OF A FUTURE IN THE US AS THE ELIMINATION OF EC EXPORT SUBSIDIES HAS MADE THEM NON-COMPETITIVE. AT A LUNCHEON HOSTED BY THE DAIRY COOPERATIVE, I ECHOED MY EXPECTATION THAT ATTRACTIVE MARKETING OPPORTUNITIES IN THE US WOULD CONTINUE FOR SPECIALTY CHEESE AND POINTED OUT THAT, IN SPITE OF THE DROP IN INDUSTRIAL CHEESE EXPORTS LAST YEAR, DENMARK HAD BEEN THE LARGEST SUPPLIER OF CHEESE TO THE UNITED STATES.

5. LATER IN THE DAY A VISIT WAS MADE TO A TYPICAL DAIRY FARM IT IS TENANT MANAGED AND WAS MILKING 80 HIGH YIELDING JERSEYS AND FEEDING A FEW PIGS. ON ITS 127 ACRES, CROP PRODUCTION IS CENTERED ON BARLEY, GRASS AND BEETS. ALTHOUGH CONCERNED LIMITED OFFICIAL USE

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PAGE 04 COPENH 02695 01 OF 02 170947Z

THAT HIS CROPS WERE NOT AS GOOD AS THEY MIGHT BE AND WORRIED ABOUT RISING PRODUCTION COSTS, THE FARMER WAS OBVIOUSLY PROSPERING.

6. AT THE DINNER HOSTED BY THE AGRICULTURAL COUNCIL ON AUGUST 12, AT WHICH KEY OFFICIALS FROM THE DAIRY, PORK AND SOYBEAN INDUSTRIES WERE GUESTS, I POINTED OUT THE ADVANTAGES ACCRUING BOTH TO DANISH AND US FARMERS FROM OUR MUTUAL TRADE AND THE BENEFITS BOTH OUR COUNTRIES STAND TO GAIN FROM AN EXPANDED LIBERALIZATION OF WORLD AGRICULTURAL TRADE AS WELL AS FROM WITHHOLDING PROTECTIONISTIC TENDENCIES. I ALSO POINTED TO OUR GROWING CONCERN OVER EC SCHEMES AND PROPOSALS WHICH THREATEN US EXPORTS OF SOYBEANS AND OTHER PRODUCTS TO THE IMPORTANT EC MARKET, AND SOLICITED DANISH SUPPORT IN OPPOSING SUCH THREATS TO OUR EXPORTS.

7. THE FOLLOWING MORNING WE VISITED THE TULIP HAM CANNING PLANT AT VEJLE, WHICH IS THE LARGEST DANISH EXPORTER OF CANNED HAMS AND SHOULDERS TO THE US (ABOUT 25 PERCENT OF TOTAL SALES). IN 1974 THE PLANT REDUCED ITS HAM CANNING ACTIVITIES TO ABOUT 60 PERCENT OF THE PREVIOUS LEVEL BECAUSE OF THE GENERALLY DEPRESSED SITUATION IN THE CANNING INDUSTRY, AND CANNED PRODUCTION HAS NOT SINCE BEEN STEPPED UP TO ANY EXTENT IN SPITE OF THE IMPROVED US MARKET. WHILE HAVING SOME SUCCESS IN DEVELOPING OTHER MARKETS, TULIP OFFICIALS WILL CONTINUE TO LOOK TO THE US AS THE MAJOR OUTLET IN THE FUTURE. THEY ARE VERY CONCERNED ABOUT THEIR MARKET PROSPECTS AS THE US PROX PRICES MOVE INTO A DOWN SWING AND THEY EXPRESSED HOPE THAT EC EXPORT RESTITUTIONS WOULD BE INCREASED IN TURN. I MADE CLEAR MY PROFOUND DOUBT THAT THE US WOULD TOLERATE AN INCREASE IN THE EXPORT SUBSIDIES. THEIR PRIME CONCERN HOWEVER IS COMPETITION FROM EAST EUROPEAN COUNTRIES, WHICH THEY FEEL IS NOT BEING TREATED EVENLY UNDER THE US TRADE ACT.

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PAGE 01 COPENH 02695 02 OF 02 170953Z

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LIMITED OFFICIAL USE SECTION 2 OF 2 COPENHAGEN 2695

8. THE VISIT TO THE DAIRY FEDERATION, THE HEADQUARTERS OF THE DANISH DAIRY INDUSTRY, AT AARHUS PROVIDED AN EXCELLENT OPPORTUNITY FOR A DETAILED DISCUSSION OF CURRENT EC DAIRY PROBLEMS AND THE MEASURES PROPOSED FOR DEALING WITH THEM. I WAS ABLE TO GIVE A FORCEFUL PRESENTATION OF OUR STRONG OBJECTIONS TO THOSE MEASURES WHICH IMPAIR OUR ZERO DUTY BINDINGS ON SOY-BEANS AND MEAL, EMPHASIZING THAT DAIRY STRUCTURAL PROBLEMS SHOULD BE SOLVED WITHIN THE EC WITHOUT PLACING PART OF THE BURDEN ON EC'S TRADING PARTNERS. WHILE THE DAIRY OFFICIALS MADE THE USUAL ARGUMENTS TO THE EFFECT THAT THE TAX ON VEGETABLE FATS AND OILS WAS NECESSARY TO MAKE THE LEVY ON MILK DELIVERIES PALATABLE TO EC PRODUCERS, THEY BELIEVED IT WILL NOT BE

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PAGE 02 COPENH 02695 02 OF 02 170953Z

ADOPTED. THE DANES THEMSELVES ARE NOT IN FAVOR OF THE SCHEME AND WOULD PREFER TO HAVE STRONGER STRUCTURAL MEASURES TAKEN. I LEFT THEM WITH NO DOUBT IN THEIR MINDS THAT THE US WOULD NOT HESITATE TO TAKE COUNTERMEASURES IF THE SCHEME GOES THROUGH. A BRIEF DISCUSSION WAS ALSO HELD ON THE POSSIBILITY OF EXPANDING US CHEESE QUOTAS, WHICH THE DANES WISH MAINTAINED ON A COUNTRY BASIS AS THEY FEEL THEY HAVE ENSURED A STABLE MARKET FOR DANISH CHEESE. ALL IN ALL, THE DANES ARE ACTUALLY QUITE HAPPY WITH THEIR CURRENT MARKET FOR CHEESE IN THE US. THE REMAINING SUBSIDIES ON CHEESE SEEM TO BE OF LITTLE SIGNIFICANCE TO THEM.

9. A MOST INTERESTING TOUR WAS MADE OF THE AARHUS OIL FACTORY, WHICH PROCESSES ABOUT 250,000 TONS OF US AND BRAZILIAN SOYBEANS ANNUALLY. THE MEAL IS SOLD MAINLY TO THE IMPORTANT LIVESTOCK FEED SECTOR WHILE MUCH OF THE OIL SURPLUS IS SOLD ON THE EXPORT MARKETS. THE INCREASING IMPORTANCE OF BRAZILIAN BEANS, INCLUDING THEIR IMPROVED QUALITY, WAS MENTIONED, ALTHOUGH THIS YEAR THE US SHARE OF THE MARKET HAS INCREASED TO ABOUT 80 PERCENT. THE QUALITY OF US SHIPMENTS WAS SAID TO HAVE BEEN VERY GOOD DURING THE PAST YEAR. OFFICIALS AT THE PLANT (AND OTHERS ON THE TOUR) REFERRED IN STRONG TERMS TO THE LASTING DAMAGE CAUSED BY THE US EXPORT EMBARGO AND RESTRICTIONS IN 1973, WHICH SPURRED EC EFFORTS TO DIVERSIFY SOURCES OF SUPPLY AND INCREASE ITS OWN PROTEIN PRODUCTION. FURTHERMORE, THE PLANT OFFICIALS

FEEL THAT THE EMBARGO IS USED BY THE EC TO JUSTIFY OTHER MEASURES IT HAS TAKEN OR IS PROPOSING IN THE PROTEIN AND DAIRY

SECTORS. I ASSURED THEM THAT THE EMBARGO WAS AN ANOMALY IN US POLICY THAT WOULD NOT BE REPEATED. THEY ALSO EXPRESSED FORCEFULLY THEIR OBJECTIONS TO THE PROTEIN DEPOSIT SCHEME AND NONFAT DRY MILK MIXING REGULATION AS WELL AS TO THE PROPOSAL TO TAX VEGETABLE FATS AND OILS. A HIGHLIGHT OF THE VISIT WAS THE SOY CONCENTRATE PLANT, WHICH STARTED PRODUCTION OF A 70 PERCENT PROTEIN CONCENTRATE FOR USE IN A CALF MILK REPLACER IN 1970. THE PRODUCT IS NOW ALSO BEING USED IN THE FOOD INDUSTRY.

10. THE PRESENCE THROUGHOUT THE TRIP OF TWO COUNCIL POLICY OFFICIALS AND PARTICULARLY A LENGTHY CONVERSATION WITH THE LIMITED OFFICIAL USE

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PAGE 03 COPENH 02695 02 OF 02 170953Z

FARMERS UNION PRESIDENT WERE INVALUABLE IN PERMITTING A FRANK EXCHANGE OF ATTITUDES ON TOPICS OF MAJOR INTEREST TO BOTH OUR COUNTRIES. PRESIDENT KJELDSEN CALLED ON SECRETARY BUTZ AND OTHER US OFFICIALS IN WASHINGTON IN LATE 1975 AND EXPRESSED HIS GRATITUDE OF THE OPPORTUNITY HE HAD TO GAIN FIRST HAND KNOWLEDGE AND UNDERSTANDING OF US THINKING ON IMPORTANT INTERNATIONAL ISSUES. HE APPEARED SUSCEPTIBLE TO US ARGUMENTS AND, WITH HIS POWERFUL INFLUENCE ON DANISH (AND EC) FARM POLICIES, I AM CONFIDENT THAT HE WILL BE A POSITIVE FACTOR IN CONSIDERING US POSITIONS.

11. THE TRIP WAS ONE OF THE MOST INTERESTING AND PROFITABLE ACTIVITIES UNDERTAKEN SINCE MY ASSUMPTION OF RESPONSIBILITIES IN COPENHAGEN. NOT ONLY DID I GAIN AN INSIGHT INTO DANISH FARM PRODUCTION AND PROBLEMS, BUT THE TOUR ENABLED ME TO PRESENT THE US POSITION ON CURRENT VITALLY IMPORTANT ISSUES WITH THE EC AT THE GRASS ROOT AND FARM PROCESSING LEVELS.
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